



Office of Inspector General  
*U.S. Department of State*  
*and the*  
*Broadcasting Board of Governors*

# MONTHLY REPORT OF **ACTIVITIES**

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*audits, inspections, testimony, and special activities*

**October/November 1999**

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

## Congressional and Outreach Activities

On October 13, the Inspector General submitted a written statement for the hearing record to the Senate Special Committee on the Year 2000 Technology Problem for the hearing titled “International Preparedness for Y2K”. The written statement provided an update to previous testimony provided to the committee in July. The statement addressed the Department’s continued efforts to certify all mission-critical systems for Y2K compliance; business continuation contingency planning; and the content of the Y2K readiness assessments provided by the Department in the consular information sheets found on the website address at <http://travel.state.gov.cay2k>. The testimony also provided an update on continued assessments of host country Y2K preparedness based on recent site visits to Indonesia, China, Saudi Arabia and Egypt.

On October 21, the Inspector General testified before the House Committee on International Relations on year 2000 computer threats to U.S. interests abroad. As this was the committee’s only hearing on the Y2K computer problem, the testimony provided the committee with a comprehensive overview of the Inspector General’s Y2K oversight and review of Y2K remediation efforts by the Department and by countries that host our embassies and consulates. The testimony discussed key themes identified in host country assessments in terms of the varying levels of progress that different countries have made in assessing and fixing their systems, and the risk that Y2K failures might cause in the key sectors. The Inspector General also addressed the content of the Y2K consular information sheets and provided the committee with an update on recent site visits to Nigeria, South Africa, Brazil, and Venezuela in addition to the aforementioned countries addressed in the October 13 testimony provided to the Senate.

The Inspector General also participated in the U.S. delegation to the 9<sup>th</sup> International Anticorruption Conference (IACC) held in Durban, South Africa, October 10-15. Conference participants included 1600 representatives from 134 countries. A dominant theme of the conference addressed the need to develop a code of ethics for government officials in countries addressing corruption. The U.S. delegation facilitated meetings between officials from the Dutch Government and Transparency International for the 10<sup>th</sup> IACC to be held in Prague in the year 2001. Several participants asked for U.S. Government assistance in establishing an Office of Inspector General in their respective countries. Additional information on the conference can be retrieved at <http://www.transparency.de/iacc/durban-commitment.html>.

## Reports Issued by the Office of Audits

### **Implementation of the Managerial Cost Accounting Standards (00-FM-001)**

The Office of Inspector General reviewed and evaluated the Department of State's (the Department) implementation of Statement of Federal Financial Accounting Standards (SFFAS) #4, *Managerial Cost Accounting Standards*. This audit was done in conjunction with the audit of the Department's financial statements.

OIG found that the Department is making reasonable progress in implementing SFFAS #4, but additional work is needed for the Department to substantially comply with the standard. The Department complied with certain aspects of SFFAS #4; for instance, it chose reasonable responsibility segments, recognized the cost of goods and services that it receives from other entities, and used an appropriate allocation methodology. However, the Department did not implement an effective process to routinely collect managerial cost information, establish outputs for each responsibility segment, or allocate all support costs. Until this is done, OIG does not believe the information will be useful as a management decision-making tool.

## **Reports Issued by the Office of Inspections**

### **Inspection of the American Institute in Taiwan (ISP/I-00-01)**

A nongovernmental entity established in 1979 to maintain the unofficial relationship between the United States and Taiwan and operating under contract to the Department of State, the American Institute in Taiwan (AIT), has carried out its core mission with great success. Re-energized under its current leadership and with a talented, experienced staff, the Washington office (AIT Washington) plays a unique role in translating U.S. Taiwan-related policies and programs into the nongovernmental context required by law and policy. The Taipei office (AIT Taipei) is doing a fine job of advancing U.S. policies, promoting economic and trade interests, and handling the delicate political-military relationship.

AIT's unique status and the nature of its relationship with the U.S. Government pose a number of management challenges. Although OIG found management and administration of AIT much improved over the previous inspection (1993), it concluded that the time has come to simplify the costly and cumbersome procedures that affect AIT's ability to operate effectively. This includes simplifying the assignment process, rationalizing the uncertain and inadequate resource base, and clarifying and codifying in a new contract the tangle of administrative relationships with the Department of State and other U.S. Government agencies. In particular, AIT badly needs a new framework for long-term budgetary stability, and a more rational, transparent funding operation.

AIT Taipei has made significant strides in improving its administrative functions, but weaknesses remain in financial management, general services (especially the procurement process) and personnel. A new financial management system, once it is fully implemented and with appropriate internal controls, should permit AIT Taipei to manage its resources more transparently and effectively. AIT Taipei faces major decisions regarding real property, involving possibly multi-million dollar commitments that are beyond AIT's ability to fund or to manage. The Department must play an active role in deciding what construction will be done and in providing funding to carry it out.

Because of AIT Taipei's unique structure, public diplomacy was integrated within its operations well before USIA was merged into the Department of State. OIG concluded that

although the cultural and information section functioned well, it needed to be more actively involved in integrating public diplomacy into the broad range of AIT Taipei's activities.

AIT Taipei's consular operations conduct an extraordinarily high volume of business. They are well managed and serve as an example of efficient and productive application of consular best practices. OIG found a few areas where consular operations need to be brought into compliance with worldwide consular policy and procedures.

**Inspection of Embassy Kiev, Ukraine (ISP/I-00-02)**

Embassy Kiev is a big, well-run post. Under strong, compassionate leadership, it effectively implements a complex, long-term U.S. policy whose program components are among the largest in the world. Primary U.S. objectives are to support Ukraine's transition to a Western-oriented democratic society with a market-related economy, but internal corruption, crime and political division work against rapid progress.

The physical plant impedes efficient management. The chancery compound is a disservice to American diplomacy as well as a hazard to the health and safety of those who work there. The embassy needs the Department's help to deal with its critical short and long-term real property issues.

Notwithstanding a daunting policy environment, poor working conditions and a lack of basic benefits for national employees, mission morale is remarkably high.

Public diplomacy employs innovative programs in support of mission objectives, including the generation of favorable media attention to U.S. positions on Kosovo and a well-administered exchange program that sends over 1,000 Ukrainians to the United States each year.

## **Reports Issued by the Office of Security and Intelligence Oversight**

During this reporting period, OIG security oversight inspections were completed at the following embassies: Rome, Italy and U.S. Mission to the UN Agencies for Food and Agriculture; Vatican, The Holy Sea; and Abidjan, Cote d'Ivoire. An inspection of the Foreign National Employee Program in Russia was also completed.

The following audits were completed: Overseas Telephone Security Systems Management; and Management of Card Access Control Systems.